KEY OUTCOMES FROM DISCUSSIONS ON POVERTY REDUCTION AND ECONOMIC DEVELOPMENT
OUTCOMES FROM EXTRACTIVE RESOURCES

1. Issues
   a. Approaches by firms and the state for preventing, managing or mitigating the disruption of community livelihoods by extractive resource projects
   b. Approaches and methods for long term development and livelihood improvements in communities affected by extractive resource projects
   c. How to optimize revenue flows from extractive resource projects and utilise them for development
   d. How can the extractive sector contribute to economy wide changes through the development of linkages and diversification

   AMV, EMDP, EAC as sources and elaboration

2. Summary of issues from Plenary Discussions and Group Session

   Need to move away from a growth to a development agenda. Current discourse moving away from poverty reduction as way of framing the issue to broader notion of development with structural transformation which entails looking at contribution of extractive resources beyond what comes from revenues to a wider concern with how the sector as a whole can contribute to transformation through links with the rest of the economy and diversification.

   Advancing the poverty reduction and economic development benefits of the extractive sector requires action at a number of levels – the community level, including the self organisation of persons affected by projects; the national level as well as the regional and higher levels to press for the adoption of norms which support the livelihoods of communities affected by mining.

   Examples of relevant regional and continental frameworks include the ECOWAS directive, EMDP and the Africa Mining Vision and its Action Plan.

   - Judicious and equitable stewardship of extractive resources can be factor for not only economic development but also national integration. Experience points to the value of having nationalistic elite which sees the value of building a national community and is ready to work for it. Lessons from Nigerian bad practice.

   - Need for policy coordination and coherence across sectors and institutions

   - CSOs need to share experiences across regions and the globe and form strategic partnership on these issues.

   - Need to reach out to other organisations and constituencies, importance of alliance building with wide range of actors and institutions (CSOs, unions, business, N-S alliances)

   - Need to strengthen CSOs capacities and engagement in addition to defending rights, fighting negative impacts, ensuring revenue transparency to be able to intervene in wider areas that affect economic development outcomes of Extractive industries
o Approaches by firms and the state for preventing, managing or mitigating the disruption of community livelihoods by extractive resource projects, and

a. Approaches and methods for long term development and livelihood improvements in communities affected by extractive resource projects

Currently there is generally a presumption by public institutions in favour of exploiting extractive resources. The decision to develop extract resource, with the likely disruption of established patterns of livelihood, negative social and environmental impacts should be preceded by integrated and strategic impact assessment the methods of which should entail affording affected people the chance to exercise their free, prior and informed consent. Clear norms and principles for public participation based on access to information. Also governments should implement the recommendation of the 2000 World Conservation Congress to legally prohibit exploration and extraction of mineral resources in protected areas which fall within IUCN protected area management categories I-IV. (ISG Report p.50).

The current experience shows widespread disruption of livelihoods due to extractive industry projects. Also failure to pay adequate compensation promptly and poor design and implementation of relocation schemes. Loss of farmlands and pollution of water bodies are major factors in the disruption of livelihoods in mining areas. Many times the state does not do enough to protect the livelihood of its citizens. Laws and institutions need to be strengthened towards protecting the interests of citizens and mitigation of livelihood disruptions better planned for.

Article 22 of the African Charter on Human and Peoples' Rights provides for the right to development as do a number of other international instruments and declarations. Article 22(1) provides that: "All peoples shall have the right to their economic, social and cultural development with due regard to their freedom and identity and in the equal enjoyment of the common heritage of mankind." Too often livelihood disruptions violate the right to development and other rights recognised in many African Constitutions.

State development planning and corporate CSR should be better integrated with the latter having to fit within local development plans. CSR however cannot replace the primacy of the State’s responsibility to provide equal opportunities for all citizens irrespective of where they are located. Development planning should pay attention to both short and long term issues –ranging from transitioning into managing onset of resource exploitation to era of exhaustion of extractive resources and post character of post resource local economies and livelihoods. The scope for planning at different levels of the state structure very much related to each domestic situation, e.g. unitary states versus federal states, strong decentralization versus strong centralization.

More attention must be paid to understanding social differentiation for purposes of more effective planning and targeting of interventions. Currently the dominant instinct of governments and firms is to give undue weight to the voices of local elites. There should be targeted policies to improve social services, skills training for work in the extractive economy as well as alternative livelihoods but crucially in support of improving existing livelihood undertaking such as in agriculture through support for secure access to land, inputs and markets.

Stare and firms must develop mechanisms to improve access of local people to jobs, social services and economic assets.
The health, safety and job security and adequate remuneration of extractive sector workers needs to receive greater attention in discussions about poverty reduction and economic development outcomes.

ASM involves more than 5m people across Africa; 32% of Ghana’s gold is produced by ASM (total exports n 2012 worth over $5bn). In respect of minerals which are amenable to exploitation by Artisanal and small scale miners state policy and practice should facilitate and support ASM because of its potential for improved incomes and rural livelihoods. Such support includes legislation which eases ASM access to viable mining sites; financial support, training in health and safety, policing of environmental standards and compliance and marketing avenues and policies that help minimise conflicts with large scale miners.

Support the development of local businesses and local content suppliers to extractive enterprises.

Communities, ASM should be supported to acquire the skills that improve their bargaining capacity in negotiations with companies over the terms of impacts and benefits agreements.

b. How to optimize revenue flows from extractive resource projects and utilise them for development

Extractive resources belong to the present and future generations and must be managed as such. Across Africa extractive resources are owned by the state on behalf of the people. The processes of decision making around exploitation and the choices made in this regard have usually attracted criticism. Optimisation of financial revenues raises a number of questions: States should improve knowledge of their extractive resource so as to improve strategic planning and bargaining position in negotiations for exploitation; new mechanisms for awards such as auctions need to be increasingly applied; how to account for the true social and environmental cost of extraction in the pricing of extractive resources; provide and apply fiscal principles that ensure equitable benefit sharing between state and investor, including rules and institutions that limit illicit flows; transparency across the mining value chain including contracts and revenue payments and expenditures; laws and formulae for the management of revenue on behalf of present and future generations; a formula for meaningful share of revenue to lower levels of government; the strengthening of the capacities of national and sub-national bodies for revenue management and development planning; mechanism for accountability of public officers and institutions for the utilization of the revenue.

After years of heavy focus by most CSOs and funders on revenue transparency there is a growing interest in the fiscal and contract terms which govern the quantum of revenues accruing to African governments and a recognition that the terms are largely inequitable and need to be revised so as to increase the share of revenue accruing. Capacity building for contract re-negotiation by officials and improved public understanding of extractive sector fiscal matters important.

Poor management of revenue can exacerbate a countries economic problems – so called Dutch disease affecting exchange rates, producing structural imbalance in favour of extractive sectors; budgetary dependence and at mercy of price volatility.

An increasing number of firms are creating community trusts. It is important that the design of these entities is founded in truly democratic consultations with all sections of communities and the management informed by accountability to beneficiaries. Also they should not become an alibi for seeking reduction in fiscal obligations owed to the state or cover up for aggressive tax planning which deprives host countries of revenues.

Effect of illicit flows on quantum of revenues for spending
Growing importance of R4I contracts with emerging powers which need to be publicized, unbundled and development value established. Need for more CSO engagement with this issue devoid of hysteria about China Regional Coordination and in the long term harmonisation of tax matters is important among countries to avoid a race to the bottom in competing for extractive FDI with resultant huge loses of potential revenues to the benefit of FDI firms.

Proper long and short planning by the state for use of revenues can make important contribution to poverty reduction and positive overall economic development outcomes:

- Affirmative development spending in areas of extraction but paying attention to danger of poor utilization leading to inequalities within these areas and between them and other parts of the country;
- Investment in areas that serve to accelerate economic development, e.g. transport and energy infrastructure;
- Investment in social services – health and education
- Investment in developing areas of linkages and diversification, e.g. Bojonegoro fertilizer plant
- Plan for separation of revenue into current spending, short term reserves for times of downturn and provision for future generations.

c. How can the extractive sector contribute to economy wide changes through the development of linkages and diversification

Over the past decade the increased export of mineral commodities which has driven African growth has also resulted in increased dependence on these commodities thereby highlighting the need to better integrate production of extractive resources into the wider economy and increase its overall contribution.

Upstream and downstream linkages

Central innovation of AMV, EMDP, national strategies SA policies.

Recent reports by HLP, ERA, AEO, APP, World Bank Report 2012

R4I

Local content and indigenization

State enterprises and lead roles in new economic activities; JVs, performance requirements

Retarding effects of current tax exemption of imported inputs on and linkages development (Kaplinsky Tanzania, Ghana, Botswana, SA)


Incentives regime, performance requirements in agreements

JVs, Training and R&D, Financing

Trade and investment mechanisms and instruments: BITs; EPAs, WTO; Import export tariffs, AU and regional resolutions on EPAs and diversification